



Illinois Water Pollution Control Loan Program (WPCLP) Loan Application Instructions July 2017

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Loan Application Instructions

Below are instructions and clarification for all sections of the Loan Application, as well as the financial capability evaluation criteria. Additional guidance documents and forms relating to WPCLP requirements can be found at the following website: <http://www.epa.illinois.gov/topics/grants-loans/state-revolving-fund/guidance/index>

The Loan Application is a fillable PDF form that may be completed online in Adobe Acrobat Reader. Make sure to save a copy on to your computer. Mail two copies of the Loan Application and one copy of all applicable attachments (page 9) to the attention of your Project Manager at:

Illinois Environmental Protection Agency
Bureau of Water, Infrastructure Financial Assistance Section
1021 North Grand Avenue East
PO Box 19276
Springfield, IL 62794-9276

APPLICANT INFORMATION

Applicant Name: Enter the entity that will be the legal signatory to the financing agreement.

Applicant Address, City, County and Zip Code: Enter the applicant's physical street address.

Mailing Address (if different): Enter the applicant's mailing address, if it is different than the address above.

Applicant Type: Indicate if the applicant is a public, private (for profit) or nonprofit owner. If "other", enter the ownership type in the Project Description.

Facility Name: Enter the name of the facility.

NPDES Permit Number: Enter the National Pollutant Discharge Elimination System number, if the project has one.

Data Universal Numbers System (DUNS) Number: All applicants must receive a DUNS number. This is a unique 9-digit identifier required for any entity receiving WPCLP funds. Instructions can be found at <http://www.epa.state.il.us/water/financial-assistance/economic-stimulus/getting-duns-number.pdf>

U.S. Congressional District(s): Enter the Congressional district(s) number where the applicant is located. Congressional districts can be found at <http://house.gov/representatives/find/>.

Illinois Representative District: Enter the Illinois Representative district number where the applicant is located. It can be searched at <http://www.elections.il.gov/DistrictLocator/DistrictOfficialSearchByAddress.aspx>

Illinois Senate District: Enter the Illinois Senate district number where the applicant is located. It can be searched at <http://www.elections.il.gov/DistrictLocator/DistrictOfficialSearchByAddress.aspx>

PROJECT INFORMATION

Project Title: Enter the title of the project (e.g., North WWTP Upgrade Phase 1).

Project Address, City, County and Zip Code: Enter the project's physical address. If the project spans a larger geographical area (e.g., pipe replacement), enter a street address with represents the geographical center of the project.

County or Counties Served by Project: Enter the county or counties that will benefit from the project.

PLEASE NOTE: Are the State and U.S. Representatives the same for the applicant and the project?
If yes, save some time and skip the next three questions by checking the box called "Same as Applicant"!

U.S. Congressional District(s): Enter the Congressional district(s) where the project is located. If the project will span multiple Congressional districts (e.g., a pipeline project), list all affected districts. Congressional districts can be found at <http://house.gov/representatives/find/>.

Illinois Representative District(s): Enter the Illinois Representative district(s) where the project is located. If the project will span multiple districts (e.g., a pipeline project), list all affected districts. Illinois Representative districts can be found at <http://www.elections.il.gov/DistrictLocator/DistrictOfficialSearchByAddress.aspx>

Illinois Senate District(s): Enter the Illinois Senate district(s) where the project is located. If the project will span multiple districts (e.g., a pipeline project), list all affected districts. Illinois Representative districts can be found at <http://www.elections.il.gov/DistrictLocator/DistrictOfficialSearchByAddress.aspx>

Is this a multi-phased project? If the project has multiple phases, at least one of which has already been funded by the WPCLP, enter the project number of previous phases starting with L17.

CONTACT INFORMATION

Loan Applicant's Authorized Representative: Identify the person who has the authority to represent the borrower and sign documents pertaining to the loan application. This person should be able to respond to IEPA's questions regarding the application materials. The loan application must be signed by the loan applicant's representative.

- If the system is owned by a public agency or has a governing board, the application must include a copy of a resolution adopted by the governing body designating its authorized representative and authorizing submission of the loan application; this resolution can be found in the Loan Application Appendix. It is advisable to designate the title of the person authorized to sign rather than a specific person.
- If the applicant does not have a governing board, it must provide documentation supporting the authorization of the authorized representative.

PLEASE NOTE: The Loan Applicant's Authorized Representative *may* be different than the person legally authorized to sign the Loan Agreement and debt ordinance. IEPA will work with the successful applicant at a later date to identify this person.

Project Engineer: Identify the project engineer's name, firm, and other requested contact information.

Attorney: Identify the attorney that will be the contact person regarding legal matters.

Finance Director: Identify the contact person regarding financing matters, including the collection of financial data requested in this application.

Other: If there is another key contact, please enter the information, including their role.

PROJECT SCHEDULE

1. **Schedule for bidding and construction:** Provide the estimated or actual dates for major milestones related to bidding and construction. If the IEPA Certification of Plans and Specifications has not yet been submitted, provide the estimated date of submittal.

ESTIMATED PROJECT COSTS AND REQUESTED FINANCING

2. **Pre-bid estimate of itemized project costs:** Provide the dollar amount for major project costs: project planning, legal & financial costs, design, construction engineering, construction, and other costs, including contingencies. Construction contingency at the time of providing a pre-bid estimate should be established at a maximum of 10 percent of estimated construction costs. Construction costs will be finalized after bidding and the Agency will establish in the loan agreement a contingency amount not to exceed 3 percent of construction costs.

PLEASE NOTE: Any costs related to legal, engineering, or other professional fees for which the loan applicant would like to request funding will need to be supported by a fully executed contract between all parties. For further information, please review the Loan Applicant's Certification of Engineering or Professional Services Contract Compliance with Illinois EPA SRF Loan Program Requirements which can be found online at:

<http://www.epa.illinois.gov/Assets/iepa/forms/water-quality/financial-assurance/engineering-eligibility-checklist-and-guide.pdf>

Construction period interest accrues at an APR equal to the interest rate in the loan agreement from the date of each disbursement until the initiation of the repayment period or the following repayment date. The applicant has the option to add construction period interest to the total amount financed, or it can be paid with local funds. If the applicant chooses to finance the construction period interest, it will be rolled into the overall loan amortization schedule. The Applicant should plan accordingly when adopting their ordinance authorizing debt to be incurred if construction period interest is to be financed.

- 3. Requested WPCLP funding:** Enter the amount of WPCLP loan funding requested. Funds requested cannot exceed the project costs. Funding amount will be finalized prior to signing the loan.

LOAN REPAYMENT PERIOD AND PLEDGED REVENUES

- 4. List any other proposed sources of funding in addition to the WPCLP request:** If there will be other sources of funding in addition to the WPCLP, enter those sources of funding and the amounts. Indicate whether those funds have been applied for, approved by the funding agency, or received. The total of the requested WPCLP funding and other proposed sources of funding (if any) must be equal to the estimated total project costs.

- 5. Pledged revenues:** The Agency requires that a specific source(s) of revenue be dedicated and pledged to make the loan repayments. Prior to the Agency's approval of the dedicated source(s) of revenue, the applicant must demonstrate that the pledged revenue source(s) will generate adequate revenues to make loan repayments for the term of the loan.

The dedicated source of revenue is usually pledged by the loan applicant in the form of an adopted ordinance that pledges a specific and dedicated source of revenue for repayment of the loan. The adopted ordinance will in most cases pledge a very stable source of revenue, such as revenues of the system, in the form of a revenue bond. General obligation and alternate bond ordinances are also acceptable.

Please ensure that the Ordinance Authorizing Debt to be Incurred (see Legal Requirements on page 10 of this document) names the same pledged revenues as the source of repayment proposed in the comprehensive 5-year financial projections requested in Question 19.

- 6. Loan repayment period requested:** Enter the requested loan repayment period, up to 20 years from the initiation of operations date. If you qualify for the Small Community or Hardship interest rate

(per Illinois Administrative Code Section 365.210), you may request a loan repayment period up to 30 years, or the anticipated useful life of the project, whichever is less.

SYSTEM INFORMATION

- 7. Active service connections:** Enter the active residential, commercial, industrial, or other service connections (if any). Determine the current monthly user charge. If rates are expected to change as a result of the project, or in the near future, enter the projected monthly user charge. See Figure 1 for cubic feet to gallon conversion factors. The average monthly user charge should reflect direct charges plus any other charges that support the service, such as standby charges, surcharges, and taxes. Applicants must include the planned user charge structure, as well as the methodology for calculating the average bill in **Question 20** of the Loan Application. If the entity will not have any active service connections (e.g. wholesale providers, nonpoint source projects), check the “Not applicable” box.

Figure 1: Conversion Factors - Cubic Feet to Gallons

Cubic Feet	Gallons
1	7.48
133.7	1000

- 8. User charges:** Provide the date that the current user charges went into effect. If changes in user charges are expected (as indicated in Question 7), what is the effective date for the projected monthly user charges? If the revised user charges have not yet been approved, do not enter a date, and describe the efforts and expectations in the response to **Question 20** of the Loan Application. If user charges are not collected (e.g., a nonpoint source project), leave this question blank.
- 9. Is an annual review of the revenue system and other related user charges being performed?** Indicate whether the revenue system and user charges are reviewed annually by the engineering consultant or another independent party. If user charges are not collected (e.g., a nonpoint source project), leave this question blank.
- 10. When was the most recent revenue system study performed?** Enter the date of the most recent Revenue Study. If user charges are not collected (e.g., a nonpoint source project), leave this question blank. If a user charge system has been previously approved by the Agency, evidence will be required to assure that the system has been adequately maintained, is being enforced and will continue to produce adequate revenues.
- 11. Largest customers:** Enter information on customers that account for more than 5 percent of system revenues. Do not include residential customers; only include commercial, industrial, government, or other customers.
- 12. Are other entities substantially benefiting (greater than 5%) from the project?** Substantial beneficiaries are defined as entities that will benefit from more than 5% of the project costs. Attach copies of service agreements with these beneficiaries.

CURRENT AND FUTURE DEBT

- 13. Debt obligations:** Enter all debt obligations that will be paid using the same revenue source pledged to repay the proposed WPCLP loan. Enter the amount, annual payment, and maturity date of the debt obligation.
- 14. Planned debt issuance:** Describe the current plans for debt issuance over the next three years. Include the revenue source for the repayment of the planned debt and whether it will be parity or subordinate to the WPCLP financing (if known). Indicate whether the debt has been approved by the required decision-makers.
- 15. Current bond ratings (if available):** If the entity has issued bonds, provide the current bond ratings.

PROPERTY TAX INFORMATION

- 16. Property Tax Information:** If the applicant will be pledging its full faith and credit and taxing power to secure the WPCLP loan (general obligation bond), provide property tax information for the most recent three years. Include:

- Year of valuation,
- Total assessed value of the property,
- Total market value of the property,
- Property tax revenues levied,
- Property taxes collected, and
- Property tax collection rate.

Please see IEPA WPCLP Financial Capability Review Criteria section starting on page 9 of this document for additional instructions.

SALES TAX INFORMATION

- 17. Sales tax collection data.** If the applicant has pledged sales taxes to repay the WPCLP loan, provide sales taxes collected for the most recent 12 months.

Please see IEPA WPCLP Financial Capability Review Criteria section starting on page 9 of this document for additional instructions.

FINANCIAL PROJECTIONS

- 18. Start of system fiscal year:** Enter the start date for the system's fiscal year (day, month, year). This date should be the basis for the financial projections.
- 19. Submit a comprehensive five (5) year financial projection demonstrating that the dedicated source(s) of revenue is sufficient to cover the WPCLP debt service costs.** Financial projections are a central component to the financial capability review and loan approval process. It is imperative that

these projections are comprehensive, and that all major assumptions are described (in **Question 20**). Template financial projections in Microsoft Excel are provided on IEPA's website. If the applicant wishes to use its own projections worksheet, it must ensure that all the categories are accounted for at a minimum. **All projections must be in Microsoft Excel.** The projections must include:

- Last 3 years of financial results, which tie to the audited financial statements;
- Projections for the next five (5) years, including the current year;
- All revenues for the dedicated source of revenues to be used for repaying the WPCLP loan, including user rates, additional charges, and earnings, as applicable;
- All expenses, including operations and maintenance expenses, replacement reserves and debt service costs, that will be paid using the source of revenues to be used to repay the WPCLP loan;
- Capital costs that will be paid using the source of revenues to be used to repay the WPCLP loan;
- Account for changes in revenues due to rate changes, population changes, or other factors.
- Account for changes in expenses due to changes in O&M from the project, current and future debt service costs, and other factors;
- If the applicant is a private entity and does not have audited financial statements, use Federal tax returns for the previous three (3) years.

20. Provide a written narrative detailing the major assumptions used in arriving at the current and proposed projections. Provide a detailed narrative for how the applicant arrived at the projections submitted under **Question 19**. A lack of information may result in IEPA revisions to the financial projections. Ensure that the assumptions are reasonable.

ATTACHMENTS

To prevent delays in application review and approval, include all of the relevant attachments to the application. Please check off the attachments included. Note that certain attachments are only required for corporate or non-profit applicants. If you have any questions about the attachments requested, contact IEPA's Infrastructure Financial Assistance Section staff.

APPENDIX

Please read all certifications in the Appendix carefully. Additional information on requirements such as American Iron and Steel can be found on IEPA's Infrastructure Financial Assistance Section website. Ensure that all items are filled out and signed by the authorized persons.

The certifications include:

- Amount and source of any local funds to be used for project (Appendix page 1)
- Debarment, Suspension and Other Related Responsibility Matters (Appendix page 2)
- Intent Regarding National Flood Insurance (Appendix page 2)
- Certification Regarding Project Site, Rights-of-Way, Easements and Permits (Appendix page 3)
- Use of American Iron and Steel Products (Appendix page 3)
- Engineering Services Procurement Report (Appendix page 4)
- Acknowledgment of Fiscal Sustainability Plan (FSP) Requirements (Appendix page 5)

- Taxpayer Identification Number (Appendix page 6)
- Executive Compensation Data (Appendix page 7)
- Authorization of a Loan Applicant's Authorized Representative (Appendix page 8)
- Certification of Information on All Previous Pages (Appendix page 9)

IEPA WPCLP Financial Capability Review Criteria

Prior to the issuance of a loan agreement, the loan applicant must provide detailed and sufficient information to allow the Agency to determine that 1) the applicant is financially capable, 2) has pledged a Dedicated Source of Revenue that is adequate to retire the debt and meet any covenants and requirements in the loan agreement, and 3) has established a user charge system, where applicable, that will generate adequate revenues to repay the loan and accommodate costs for operation, maintenance and replacement of the facilities to be constructed.

The Agency will require the loan applicant to demonstrate that it has the legal, financial, managerial and institutional capability to retire the loan and to construct, operate and maintain the project for the life of the facilities to be constructed. The applicant must also demonstrate the ability to meet any covenants contained in the loan agreement.

The Agency's Financial Capability Review will be conducted using items submitted as part of the loan application, including our review of the Dedicated Source of Revenue and the user charge system as detailed below. If the Agency is unable to make a Financial Capability determination based on the loan application, the submission of additional financial data, including audited financial statements, may be required.

A. Dedicated Source of Revenue

WPCLP rules require that borrowers pledge a dedicated source of revenue for repayment. IEPA will accept any or a combination of the following sources of repayment for a loan:

- Water/wastewater system revenues,
- General obligation (public entities only),
- State shared and locally collected sales/excise taxes (public entities only),
- Special assessments (public entities only), and/or
- Other, with approval by IEPA management.

User Charge System: Where a user charge system is the dedicated source of revenue, it must:

- Be enacted and enforceable before the first loan disbursement.
- Generate sufficient revenue to offset the cost of operations, maintenance, and replacement for the facilities covered by the loan.
- Be incorporated in one or more municipal legislative enactments or other appropriate authorization. If the project is for a regional treatment works accepting wastewater from treatment works owned by others, then the subscribers receiving wastewater treatment services from the loan recipient must have adopted user charge systems.
- The user charge systems must be incorporated in the appropriate municipal legislative enactments, intergovernmental or service agreements or other appropriate authorizations.
- Ensure that the dedicated source of revenue is adequate to make loan repayments for the entire term of the loan.

Other Source of Revenue: If the applicant is utilizing property, sales or special assessment as the dedicated source of revenue, the applicant will need to ensure the authorizing debt ordinance names that specific source of revenue as the dedicated source of revenue to repay the loan (as opposed to naming the revenues of the system to repay the loan). In addition, the authorized debt ordinance needs to state that if a revenue source other than revenues of the system are to repay the loan, the ordinance

must specifically state that the applicant will transfer amounts sufficient from the fund which the dedicated source of revenue is recorded into the Water/Sewer Fund for purposes of repaying the IEPA loan.

What Do We Mean By “Sufficient Revenues”?

The financial projections must show that the revenues being used to repay the loan are sufficient to cover any required expenses and the annual debt service costs without any negative balances at the end of the year.

For example, if the user charge system is being used:

User charge revenues collected

- Operations, maintenance costs
- Operations, maintenance and replacement reserves
- Capital outlays
- Debt service costs (including the requested SRF loan)

Balance must be **greater than or equal to zero (0)**

If the end of year balance is not greater than or equal to zero, then additional steps will be required, as described in section E. below. This may include raising user charges, seeking an additional source of revenues, or revising the project.

B. Loan Terms and Interest Rate

Please consult Illinois Administrative Code Section 365.210 and 365.220 to see which interest rate and loan repayment term you and your project may qualify for. Please consult the Infrastructure Finance Assistance Section if you have any questions, and to obtain the most recent interest rates.

C. Position Requirement

If the dedicated source of revenue is pledged in a subordinate position, the applicant must establish a reserve account with the equivalent coverage and reserves as the senior lien holders. At a minimum, the reserve account must be equal to the annual principal and interest payment, and it must be funded within 2 years after loan award.

D. Repayments

For all loans, principal and interest payments are collected semi-annually. Most borrowers will have level debt service payments throughout the life of the loan. However, in individual circumstances, IEPA will work with borrowers to establish an alternative debt service payment schedule.

E. Next Steps if Underwriting Criteria are Not Met

If the applicant does not meet IEPA’s underwriting requirements, IEPA may require:

- Additional repayment sources,
- A General Obligation pledge (public entities only),
- Reserve account equal to one year of debt service,
- Increases to rates and charges prior to signing loan agreement or first disbursement,
- Modifications to the project to decrease cost, or
- Other options as agreed to with the applicant.

IEPA WPCLP Legal Requirements

There are two major legal requirements that must be met prior to being approved for a WPCLP loan. In particular, the applicant must provide documentation showing it has the authority to incur debt, and it must pledge a dedicated source of revenue. Both pledges are typically combined into a single ordinance. While legal representation is needed, it is not necessary that the applicant obtain bond counsel unless it chooses not to use IEPA's sample forms.

IEPA has posted sample ordinances on its website which the applicant may choose to use. If the applicant chooses to develop its own ordinances, it is recommended that they contact Vera Herst at vera.herst@illinois.gov for pre-approval; this will help prevent delays in loan approval.

A. Ordinance Authorizing Debt to be Incurred – ENTITIES USING IEPA SAMPLE

Applicants that choose to utilize IEPA's sample ordinance authorizing debt to be incurred must submit the following materials:

- A certified copy of the debt ordinance.
- IF THE ENTITY IS A NON HOME RULE MUNICIPALITY, submit
 - Proof of publication of the ordinance and notice of intent to borrow funds, and
 - A No Referendum certificate.
- A legal opinion from local counsel with respect to the validity and enforceability of the loan applicant's obligations and the absence of conflicts with other agreements, bonds or ordinances.

Sample IEPA forms can be found on the following website. Please use the appropriate sample ordinance for your community.

<http://www.epa.illinois.gov/topics/grants-loans/state-revolving-fund/guidance/index>

B. Ordinance Authorizing Debt to be Incurred – ENTITIES USING OTHER FORMS

An applicant may choose to use bond counsel to develop the ordinance authorizing debt to be incurred. In these cases, the applicant must submit:

- A certified copy of the bond ordinance.
- IF THE ENTITY IS A NON HOME RULE MUNICIPALITY, submit
 - A certified copy of a short or preliminary ordinance which includes the notice of intent to borrow funds,
 - Proof of publication, and
 - A No Referendum certificate.
- A legal opinion from local counsel with respect to the validity and enforceability of the loan applicant's obligations and the absence of conflicts with other agreements, bonds or ordinances.

C. Ordinance Contents

The ordinance, whether it is IEPA's sample or one developed by bond counsel, must include the following:

- Statutory authority to borrow;
- Identification of the source of revenue used to repay the loan; and
- Subordinate or reserve account information, if applicable.

D. Nonpublic Entities

Nonpublic entities must also submit legal documentation stating that they have the authority to incur debt and identification of a dedicated source of revenue for repayment. Documents can include, but are not limited to, a copy of any board resolutions to incur the debt, Articles of Incorporation, By-Laws, Partnership Agreements, Federal Employer Identification Number, or a legal opinion.

E. Other Legal Conditions

The applicant must also submit a Tax Exemption Certificate and Agreement. This form, as well as instructions for completion, can be found online at <http://www.epa.illinois.gov/topics/grants-loans/state-revolving-fund/state-revolving-fund-forms/index>.

F. PDF Files

Submission of hard copies is not required. PDF files are sufficient.

QUESTIONS? If you still have questions, please contact us:

Financial questions: Mike.Layden@illinois.gov

Legal questions: Vera.Herst@illinois.gov

General questions: Heidi.Allen@illinois.gov